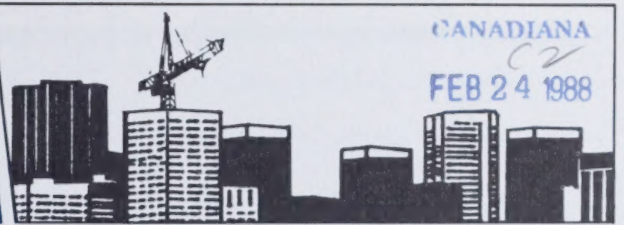


# CIACA



CANADIANA

FEB 24 1988

# CONSTRUCTION BULLETIN

CONSTRUCTION INDUSTRY ADVISORY COUNCIL OF ALBERTA

JANUARY, 1988 VOL. 2 NO. 1

## CHAIRMAN'S REPORT

### More Support Needed in 1988

I wish to take this opportunity to sum up the council's activities for this past year and to set our sights on the future.

The efforts of council members in reviewing and assessing labour legislation were brought to fruition in the final report to the Minister of Labour in 1986 and during follow-up meetings with the Minister's Labour Legislation Review Committee. The council was pleased that one of its recommendations became the essence of Recommendation #42 of the Labour Legislation Review Committee Final Report in February 1987.

*That the Minister of Labour advise the parties in the construction industry that unless they mutually develop a bargaining structure by May 15, 1987 a structure will be established. Further, that the bargaining structure should be provincewide and should contain a majority rule principle."*

The council was also pleased that the first piece of labour legislation brought to the Legislature dealt with construction -- Bill 53, the Construction Industry Collective Bargaining Act.

The council and the Construction Owners Association of Alberta placed a joint proposal before the Minister of Labour for a Cost Effective Construction Centre for Alberta. This matter is still pending before the Minister for funding approval. When funding in the amount of \$25,000 is received, the centre will become operational, with a



combined board of CIACA and COOA members guiding the program and COOA's secretariat implementing it.

The most obvious result of CIACA's efforts is the *CIACA Construction Bulletin*, which provides forecasting information for the construction industry. It is the product of much coordinated effort and support from a number of people representing private firms and government departments involved in or associated with the industry.

The council held its annual general meeting in June with good attendance from industry. Reports on activities were well received by the participants, who in turn provided council

members with feedback on their perspectives on industry directions and concerns. Following on the heels of this meeting, council met to map out an action program for the fall and winter of 1987-88. Issues to be considered centred around the prospects of increased industry activity in the next year or two: shortages of workers in the next year or two could require a review of manpower and training issues; a review of Bill 60 and its impact on the construction industry is necessary; and a review of health and safety issues should be carried out.

Unfortunately, council's activities have been curtailed during the

*Continued Page 3*



# Strong Growth for '88

Both the Conference Board of Canada and Informetrica forecasting groups are predicting strong economic growth for Alberta in 1988, after two years of recession. The Conference Board predicts that the real Gross Domestic Product for Alberta will grow by 3.4 per cent in 1988 and 1989, while Informetrica expects a growth rate of 3.5 per cent in 1988. However, the Royal Bank of Canada is forecasting a moderate increase of 2.5 per cent for the Alberta economy in 1988.

The major forecasting groups are also predicting that slow growth in labour income will result in limited growth in consumer spending. However the Conference Board predicts that "the recovery in economic activity will create more jobs which should boost income growth and, hence, consumer spending in 1989." (Conference Board, *Provincial Outlook - Executive Summary*, Autumn 1987)

The CIACA forecasting group scenarios A and B referred to in the graph on this page were developed late in 1986.

Scenario A is based on a higher oil price. It assumes that through OPEC production controls, prices would rise over the 1987 and 1988 period to US\$22/barrel. Scenario B is the lower price scenario which assumes that market forces dominate oil prices and prices would stay around US\$15/b and then rise only to US\$18/b by 1990. The oil price as of mid-January 1987 was US\$17b.

The CIACA forecasting group will be developing an update of these scenarios to be published in the May Bulletin.

## Meeting of Minds

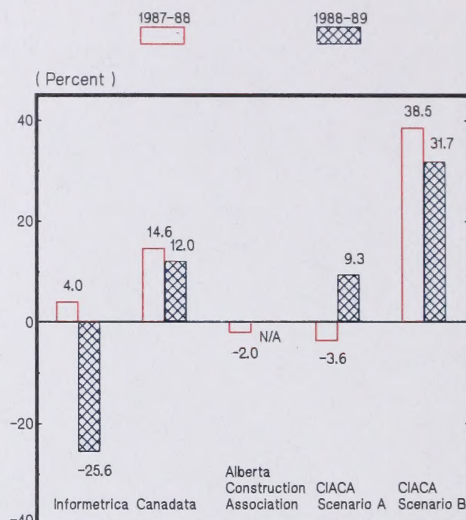
Labour-management relations was the theme of the 1987 conference of the Conference Society of Canada, focusing on how proposed labour legislation could lead to an era of better relationships. The two-and-a-half-day conference was well attended, with 170 delegates representing labour, management and government, including many participants from the construction industry.

The conference evaluation by participants indicated that most felt the conference helped delegates understand the issues raised in Bill 60; that trust was increased; and that it was an excellent forum to stimulate communication. Delegates particularly liked the small group work; the dialogue generated between labour and business; the frank, open discussion; the speakers and the ability to discuss controversial subjects in a non-confrontational environment.

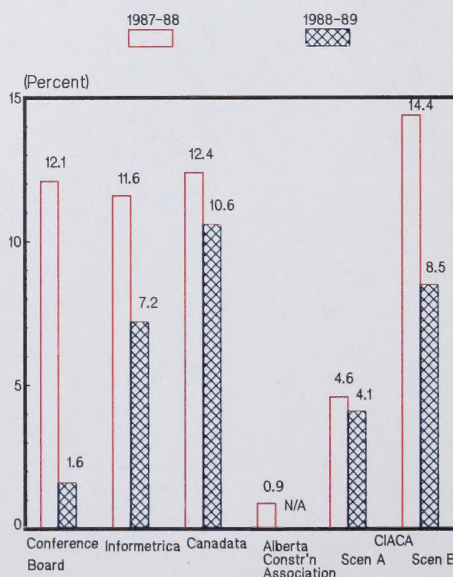
A summary of proceedings is available for \$5 from the Conference Society of Alberta, 901, 10179 105 St. Edmonton T5J 1E2.

submitted by : Alberta Labour Planning and Research Branch

Forecast for Residential Construction  
Percentage Change in the Real Value of Work Performed



Forecast For Non-Residential Construction  
Percentage Change in the Real Value of Work Performed





# Alberta Construction Association Forecast

Private capital expenditure for construction is becoming the key source of business for Alberta contractors. This growth is influenced by: renewed activity in the oil patch; spin-off commercial construction in anticipation of a strong petroleum market in the early- to mid-nineties; and the attraction of foreign investors to Alberta's prime low-cost commercial and industrial real estate. As well, government efforts to develop the forest products and tourism industries are creating new markets for industrial and commercial contractors.

Contractors are experiencing an evolution in the marketplace. Fewer projects are being designed and tendered as complete packages, and the cyclical pattern of public project calls is rapidly disappearing. The trend is toward invitational tendering from prequalified contractors for projects to be constructed in stages, with each stage tendered as a separate package. There is a marked increase in renovation and upgrading projects which are, for the most part, also tendered privately through invitation. The result may create an impression of dwindling markets. Actually, contractors find that on completion of one proj-

ect, another becomes available. Given healthy business levels and a marked decrease in business failures, contractors are more optimistic about economic stability.

Once the realities of Black Monday became clearer, the fears of recession disappeared and it was business as usual for most sectors. Strong retail sales indicate consumers are confident and businessmen read viability in the ledger, not in stock market quotations. Wealth lost by the sudden collapse of the stock market had been newly earned, not money earmarked for capital development or business expansion. Projects that may be delayed as a result of market fluctuations had been newly conceived or moved up in time on the basis of liquidity when the market reached record highs. There is little change to long-range development and expansion plans.

Economists tend to consider the stock market as a barometer of the economy. In fact, its influence is more psychological than actual. The true measures are domestic product, employment, retail sales volumes and the balance of international trade. However,

hoarding of money because of market fluctuation is possible, especially if doomsayers continue to preach pessimistic warnings.

Quick reaction by the central banks in lowering interest rates and an increased money supply are keeping the economy growing. Devaluation of the U.S. dollar also has positive effects for the North American economy, and many experts believe the dollar can fall many points lower before it triggers uncontrolled recession among other world trading partners.

## Trade Agreement Means Potential Growth

The fact that Canada's dollar is remaining constant in value compared to the U.S. dollar is good news on the eve of a free trade agreement.

Inflation should stay below five per cent in the next 12 months; base wage rate increases should stay below five per cent and the central bank rate remain between 8.5 and 9.5 per cent.

Alberta has a history of being out of step with the rest of the nation, so predictions of slower national growth are cause for expectations of new activity.  
*Continued Page 5*

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## Chairman's Report *continued from Page 1*

last half of 1987 because the appointments of replacement members from the building trades has been delayed. On July 31, the terms of five of the six members from the Alberta and N.W.T. Building and Construction Trades Council ended. As of early December, no new members had been recommended to the Minister. As well, one member from the contractors convener group was transferred out of the province in midyear, leaving a vacancy for most of the summer and fall. The remaining members of council have been anxious to proceed with the work of CIACA, but without full representation from all convener groups new initiative cannot be

undertaken. Thanks to the continuing members of the editorial board and the industry representatives on the forecast committee, the *Construction Bulletin* is still being produced.

I wish to thank those council members who have completed their terms of office in 1987:

Jim Aitcheson, Neil Channon, Jose Costa, John Paterson and Harold Taylor, all of whom completed their terms on July 31;

Monty Houssain, Frank Maguire, John Thompson, Co Vanderlaan and Thane Waldie, all of whom completed their terms on December 31; and Bruce Ferrier who was transferred out of

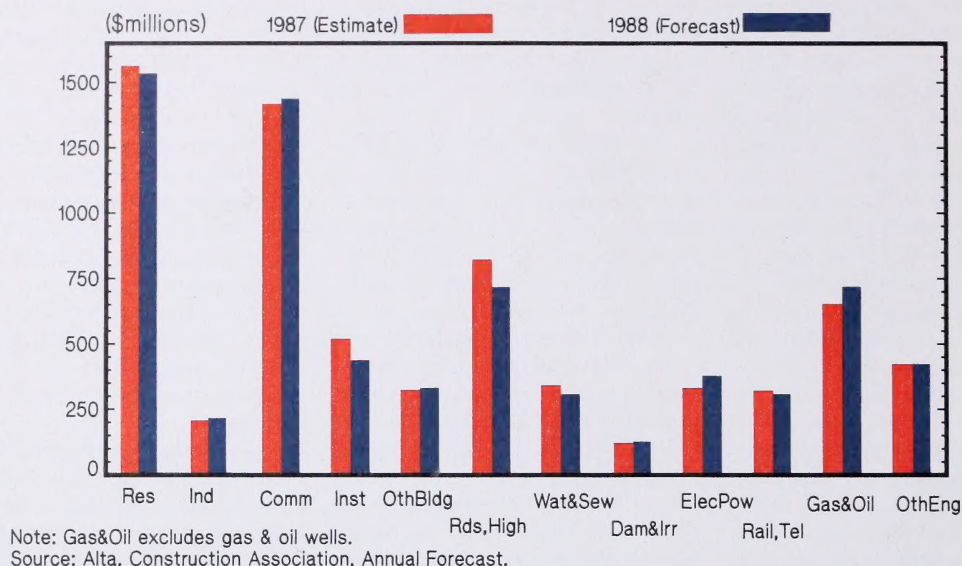
the province during the year. I would also like to welcome Hank Blakely, Bob Fowler and Wil Vandenborn, new members in 1987.

It is hoped that the convener groups will continue to support their council in the coming year and particularly that the memberships will be brought up to the full complement as soon as possible. There are urgent matters which should be addressed by your council to the ongoing benefit of the construction industry.

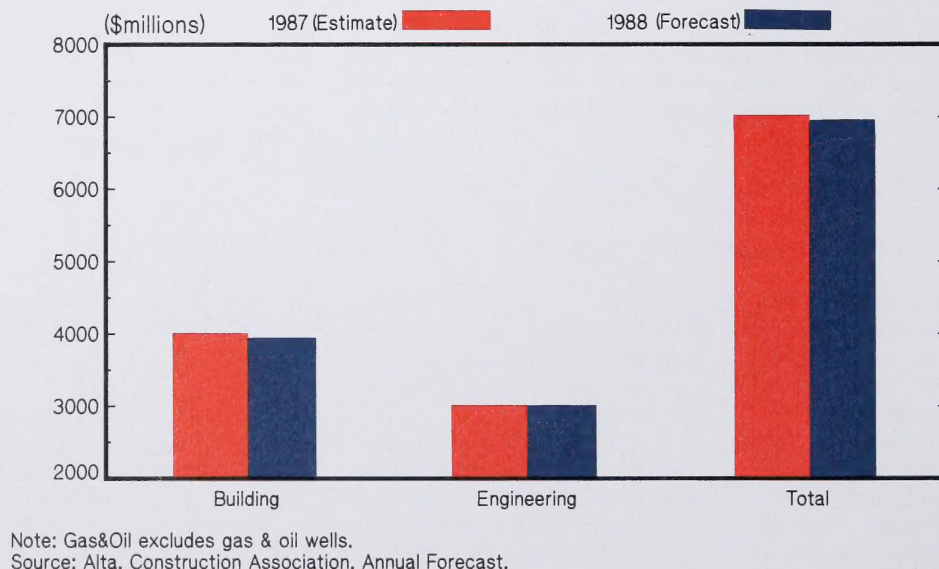
Phil Walker, P.Eng  
Chairman



## Alberta Construction Association, Forecast of Expenditures Alberta, 1987 and 1988



## Alberta Construction Association, Forecast of Expenditures Alberta, 1987 and 1988



Some of the categories in the graph above may be confusing to the reader. "Industrial" includes factories, plants, mills and the like. "Commercial" includes warehouses, retail and wholesale stores, restaurants, theatres and garages. "Misc. Building" includes projects which don't clearly fit the other

categories: farm buildings, bunkhouses, passenger terminals, laboratories, broadcast facilities, etc. "Misc. Engineering" includes bridges, subways, parks and park facilities, fencing, and landscaping.



## Alberta Construction Association Forecast *continued from Page 3*

ity here. With great potential for industrial expansion and service industry growth resulting from the trade agreement, Alberta is poised to enter an era of prosperity once more.

### Sector-by-sector Review

Architects and engineers are seeing new customers for the first time in some years, and regular clients are asking them to dust off previously shelved projects. Designers and consultants have reported significant increases in work availability and staff increases in the past three quarters. Contractors experiencing the results of smaller projects should begin seeing tenders for larger projects before 1988 year end.

**Residential** construction remained high during 1987. The current level appears to be the base volume for residential construction in Alberta. Numbers of starts grew slightly in 1987 over 1986 and may rise slightly again next year, provided interest rates remain stable. However, the move-up market has been substantially depleted and a number of homes in the \$50,000 to \$60,000 range will cause a reduction in total value.

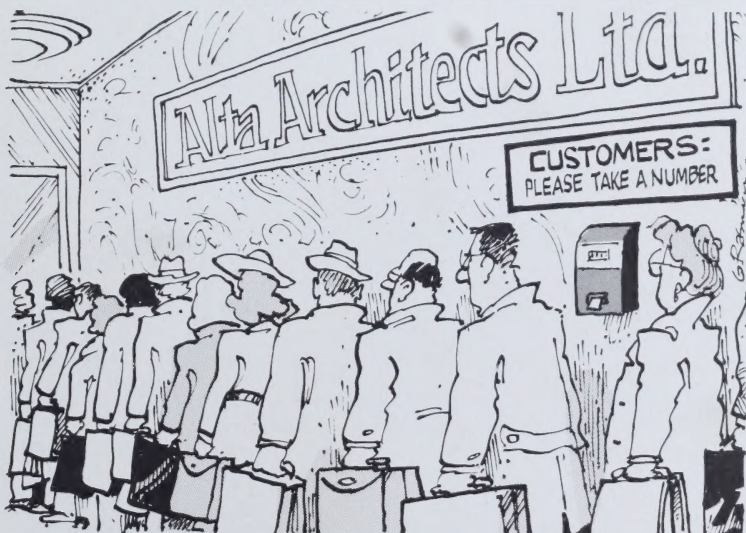
The **industrial** sector was ready to experience a new growth period because of oil price stability and interest in Alberta's forests. The tornado moved up the start of this growth of industrial construction.

**Industrial** construction dollar volumes in 1988 will increase by about 12 per cent over 1987 as a result of spin-offs of higher activity in the oil patch and initial investment in forest product development. Much engineering and design remains to be completed for many larger projects. Industrial construction can be expected to accelerate later in the year.

Developers and realtors providing the ultimate in commercial space to lure tenants continue to spark unrealistic levels for **commercial** construction. Large projects in Calgary and Edmonton, exceptional development and upgrading of retail market space and the new space requirements of the developing service industry raised 1987 volumes almost \$100 million above the \$1.318 billion forecast in 1986. Carry-over will raise dollar volumes in 1988 slightly above the 1987 level.

New starts in **institutional** construction fell considerably during 1987 and should continue to fall as governments struggle to reduce spending and minimize building activity. Necessary expansion in hospital and school construction and upgrading will provide some activity. Street systems and utility transport systems throughout the province are in poor condition, but municipal government money problems stand in the way of carrying out the necessary repair or replacement.

Publicly funded **engineering** construction will experience declining in values, but private spending in other



### FORECAST ACCESS

The following agencies offer construction forecast service subscriptions for purchase. For rates and details, contact the agencies directly.

#### Canada

1450 Don Mills Road, Don Mills, Ontario M3B 2X7  
(416) 445-6641

#### Chase Econometrics Canada

3605 Commerce Court West Toronto, Ontario M5L 1G1  
(416) 365-9450

#### Informetrica

P.O. Box 828, Station B, Ottawa, Ontario K1P 5P9  
(613) 238-4831

Current holdings of forecast publications which include

Alberta construction, available for loan or reference from the Library Services Branch include the following:

Alberta Construction Association, *Annual Forecast*.

Bank of Nova Scotia, *Global Economic Outlook* (annual).

Conference Board of Canada, *Quarterly Provincial Forecast*.

Electrical Utility Planning Council, *Alberta Energy and Demand Forecast* (annual).

Royal Bank of Canada, *Econoscope* (monthly).

To contact the Library Services Branch, use the RITE line (toll-free) or in Edmonton call 427-8533.

In addition, the 1988 forecast of the **Alberta Construction Association**, Box 3830, Station D, Edmonton, Alberta T5L 4J8, (403) 420-0005, will be available Dec. 18, free of charge.



## ACA Forecast *continued from Page 5*

divisions will offset losses.

Heavy construction contractors carrying out **roadbuilding** work have been slower to downgrade from the boom years than contractors in other areas. Thus, competition is keeping prices low and profit margins critical. The number of projects out to tender in 1988 will be similar to that in 1987 but the nature will change. New construction contracts will continue for the twin-

ning of Highway 1 and Highway 16, but 1988 will see a reduction in grading contracts and an increase in recapping and paving secondary roads. The exceptional winter has reduced carry-over, causing a decline in dollar volumes of roughly 10 per cent over 1987.

**Waterworks and sewage** and underground construction during 1988 will parallel 1987 but lack of carry-over will reduce totals by about eight per cent.

The winding down of Alberta Environment's five-year headworks irrigation program and political resistance from environmentalists attempting to stop the Oldman River Dam project tempered **dams and irrigation** activity in 1987. In 1988 there should be an increase in the volume of construction, provided the contracts recently let for the dam site are not delayed further.

If the Energy Resources Conservation Board gives the go-ahead to a recent application for continuation of the Sheerness plant site, **electrical power** construction will grow in volume by approximately 15 per cent over 1988. The association's best guess is that the project will proceed.

Construction dollar volumes in **gas and oil** construction should increase about 12 per cent over 1987. Engineering studies underway signify major expansion in the near future, some of which could start late this year.

### Competitive Pricing to Continue

The past five years have been difficult for Alberta's contractors and building material suppliers. In 1982, a huge oversupply of manpower and equipment resources to service a reduced market led to a price war. Tradesmen were leaving the province in record numbers and many pioneer, well established firms were forced out of business.

Low price levels became fixed as the price war continued. Contractors learned how to adapt and adjust operations to direct costs downward. The competitive prices in place are here to stay for the foreseeable future.

## Preparing the ACA Forecast

The Alberta Construction Association places a high priority on developing an annual forecast to assist contractors and suppliers with business planning.

Throughout the year, files are kept of newspaper reports and announcements of proposals that involve construction, as well as economic data and analysis from trade and business publications and economic reports from consultants and financial agencies.

During October and November, the search for current information begins with a telephone survey of local construction associations in eight regions. Representative architects, engineers, general contractors, trade contractors and suppliers are contacted.

The next step is a follow-up of announcements on file to determine which projects are going ahead. Selected owners, both private and government, are contacted to

determine their intentions for the coming year, and a project list is developed.

A final telephone survey is conducted through the offices of various city and provincial government departments and the executives of major trade and business associations. The information is then compared to data on file and dollar volume projects are estimated. The forecast is then drafted for review by selected experts. The final draft is presented to the construction forecast committee.

Dollar volumes forecast for the various sectors are estimated dollars, to be invoiced for work performed during the year, and are reported in current dollars.

Dollar values for projects are total estimated values for the entire project, or the total remaining to be invoiced, and include equipment and machinery, so that the amounts shown may not be consistent with the amount to be invoiced during the current year.

The CIACA Construction Bulletin is published three times a year by the Construction Industry Advisory Council of Alberta. It is intended to inform the construction industry about the activities of the council, and to disseminate economic forecast information pertinent to the Alberta construction industry.

The bulletin is directed by an editorial board, chaired by Co J. Vanderlaan.

The editorial board is made up of the following, representing:

Labour	Jim Aitcheson
	Co Vanderlaan
Management	Merv Ellis
	Frank J. Maguire

Owners

Mike Halpen  
J. A. (Tony) Howard  
Janet E. Howell  
R. G. (Bob) Nicoll

Government

The editor is Maryhelen Vicars.

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The chairman of the Construction Industry Advisory Council of Alberta is Phil Walker, P.Eng.

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